GEODYNE

ANNUAL REPORT

1996

CORPORATE PROFILE

Geodyne Technologies Inc. is a Calgary based international exploration and production company. Geodyne's range of interests include minerals and oil & gas. The company is driven to identify resource opportunities globally and to convert them into enhanced shareholder value.

Geodyne is committed to the maintenance and continued growth of its cash flow generating hydrocarbons asset base in western Canada. The risk profile of the company in this regard is moderate in recognition of the importance of maintaining a sound and growing cash flow stream.

Through the experience of the Board of Directors, and the strength of it's technical advisors, the company attempts to become exposed to situations that may have a significant long term positive effect on corporate asset value and thus share value. While higher risk is implicit in this aspect of the corporate strategy, the Board remains committed to a conservative capital structure.

NOTICE OF ANNUAL MEETING

The Annual General Meeting of Shareholders will be held on May 8, 1997 at 10:00 am at the offices of Macleod Dixon, in the Macleod Boardroom, 37th Floor, Canterra Tower, 400 - 3rd Avenue S.W., Calgary, Alberta.

Shareholders unable to attend the meeting are encouraged to complete and return the accompanying form of proxy.

LETTER TO THE SHAREHOLDERS

In last year's annual report we introduced a new strategy for growth for Geodyne. It includes seeking natural resource based opportunities globally. We will direct our efforts to the exploration and development of hydrocarbon and mineral opportunities that could result in meaningful growth in the value of the company.

Fiscal 1996 was a year of transition and strategic refinement. Tactically, the company will continue to nurture and grow its hydrocarbon based cash flow in western Canada. We plan to replace reserves and grow production through production acquisition and exploitation. This activity will be financed, as appropriate at the time, using cash flow, debt or equity. Utilizing a portion of the domestically generated cash flow we will seek out larger opportunities, of a riskier nature, which offer the company and its shareholders the prospect of significant growth.

We have established as a minimum goal in 1997, for domestic operations, a doubling of year end 1996 reserves and production. This will be accomplished without a relative increase in general and administrative expenses and without jeopardizing the company's balance sheet.

Regarding higher risk, higher potential reward projects, our 1997 goal is to exit the year with a minimum of four projects in our portfolio. As was announced during February, 1997, and as is described in the following minerals report, Geodyne has taken its first step both internationally and into the minerals arena with its participation in the Eagle Mountain gold exploration project in the auriferous nation of Guyana. Excellent exploration potential for large epithermal gold deposits exists in the Guiana Shield which extends through Brazil, Suriname, Guyana and Venezuela. The geological setting of the primary gold deposits in Guyana is similar to that of many of the gold deposits found in the Canadian Shield. The Eagle Mountain property will be further explored during 1997 and a successful program, by definition, would add important new value to the shares of the company.

Eagle Mountain is only the first of many projects we intend to bring into Geodyne's portfolio of opportunity. On the continents of Africa and South America and in southeast Asia, situations have been identified which will be examined closely to determine if they satisfy our internal investment criteria.

Modest, but important, absolute growth in operations was achieved during 1996. For the first time the company is able to report positive cash flow and income for a fiscal year. Based upon the 1996 exit rate of production, a substantial increase in cash flow for 1997 is anticipated. As well, the year end debt/equity relationship improved significantly compared to prior years. Maintenance of a strong balance sheet is a vital goal of management and the Board of Directors.

1996 was a year of significant change for Geodyne and I would like to acknowledge the contribution of the directors, consultants and others associated with the company and to express my thanks.

On behalf of the Board of Directors

JG Constable

Jon G. Constable, President
March 12, 1997

OIL AND GAS REPORT

Geodyne drilled three successful Sparky oil wells (1.5 net wells), during October 1996, on its Unwin property southeast of Lloydminster, Saskatchewan. The four well program also resulted in one unsuccessful well. The company will participate in the drilling of three additional wells and the re-entry of one abandoned well (1.0 net wells) during the first half of 1997. These four locations are also at Unwin. The lack of available drilling rigs has partially delayed this program which had been planned for February 1997.

Also in the Unwin area, based upon interpreted seismic data, Geodyne (25%) has participated in the acquisition of mineral rights for 320 acres. Drilling plans for the new acreage have not been finalized but second half 1997 activity is anticipated.

Total oil production in 1996 increased to 32,196 barrels, an improvement of 86% over production during calendar 1995. The 1996 exit rate was approximately 150 barrels per day compared to an average of 88 barrels per day during the year.

Geodyne's proven reserves, as at December 31, 1996, increased 80% to 383 thousand barrels of crude oil, when compared to year earlier totals. As well, with proven reserves increasing by 170 thousand barrels, reserve replacement for 1996 was 427% of production for the year.

Crude Oil Production (barrels)

Property	1996	1995 (1)
Lonerock, Sask.	3,702	4,007
Unwin, Sask.	16,562	8,425
Rainbow. Alta.	2,520	927
Matziwin, Alta.	5,443	2,109
Princess, Alta.	3,969	2,132
Total	32,196	17,599

(1) For twelve months

Crude Oil Reserves Reconciliation (1)

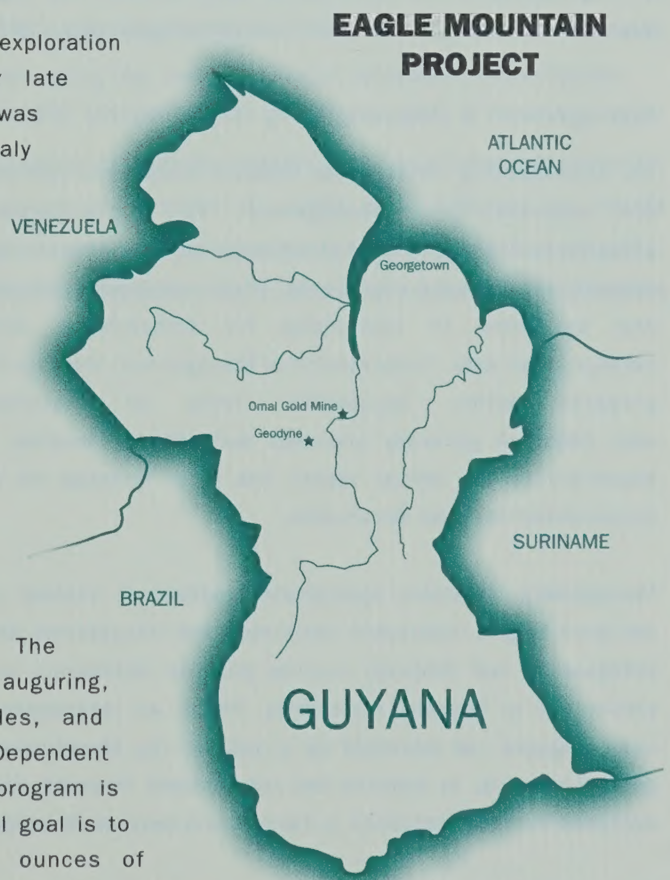
	Total Proven (mstb)	Total Proven plus Probable (mstb)
As at December 31, 1995	213.3	331.5
Production	(32.2)	(32.2)
Additions	106.7	146.6
Acquisitions (net)	0.0	0.0
Technical Revisions	95.3	(16.4)
As at December 31, 1996	383.1	429.5

(1) From an independent evaluation of the Company's reserves.

MINERALS REPORT

Subsequent to year end, Geodyne entered into an agreement to participate in an exploration program being conducted on the Eagle Mountain gold property located in central Guyana, South America. Geodyne's agreement is with IMPACT Minerals Inc. of Vancouver. IMPACT holds an option to earn a 100% interest in the project area, which covers 413 acres. By spending $C250,000 Geodyne can earn a 50% interest in the IMPACT option agreement. Eagle Mountain is 45 kilometers southwest of the Omai gold mine which is owned by Cambior Inc. and Golden Star Resources. The Omai mine produced 93,000 ounces of gold during the fourth quarter of 1996.

The property hosts a past-producing gold bearing quartz vein referred to as the Bishop vein. Earlier assay reports indicate gold recoveries of 126 grams gold per tonne from the vein and up to 4 grams gold per tonne in the wall rock. Resampling on the Bishop vein confirmed the presence of high grade gold mineralization. As well, a fifteen meter zone of stringer veins was found to be strongly mineralized grading 5 grams gold per tonne over three meters including a one meter interval grading 13.2 grams gold per tonne.



IMPACT completed its first phase of exploration on the Eagle Mountain property late in 1996. Resulting from the program was a gold-in-soil geochemical anomaly that extends for over one kilometer along a prospective granite-felsic volcanic contact. The anomaly ranges in width from 25 meters to 200 meters with values up to 4.7 grams gold per tonne. Additionally, two new zones of gold mineralization were discovered during phase one exploration.

The second phase of exploration at Eagle Mountain is scheduled to commence during March, 1997. The program will include deep soil auguring, to obtain geochemical soil profiles, and further trenching and prospecting. Dependent upon exploration results a drilling program is planned for later in 1997. The initial goal is to delineate more than one million ounces of mineable gold reserves of Omai style mineralization amenable to open pit mining and/or high grade vein mineralization with underground mining potential.

FINANCIAL REPORT

Revenue from oil production in 1996 was $705,727 compared with $296,983 for the fiscal period ended December 31, 1995. Cash flow from operations was $157,056. This represents a notable improvement over 1995 results when cash flow from operations was negative. Including a non-cash deduction for depletion related to the company's oil reserves, earnings of $4,995 were recorded. Cash flow per share and earnings per share were both $nil with 31.6 million shares outstanding on a weighted average basis. At year end there were 34.5 million shares outstanding. This total includes 3.3 million shares issued as flow through common shares on September 30, 1996. The issue netted the company $500,000 and the proceeds were applied to the 1996 Unwin drilling program.

The company had a small working capital deficit at year end and long term debt of $270,000. During January 1997, the corporate line of credit was increased and at that time approximately $1.1 million remained available from that facility.

Drilling planned on the Unwin property in Saskatchewan and the exploration program planned in Guyana will be funded from cash flow generated during 1997.

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements and all information in the annual report are the responsibility of Management. The consolidated financial statements have been prepared by Management in accordance with the accounting policies outlined in the notes to the consolidated financial statements. Where necessary, Management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of Management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements. KPMG, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at Company's most recent annual general meeting, to examine the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion.

The Audit Committee has reviewed these statements with Management and KPMG, and has reported to the Board of Directors. The Board has approved the consolidated financial statements of the Company herein.

AUDITOR'S REPORT

To the Shareholders of Geodyne Technologies Inc.

We have audited the consolidated balance sheets of Geodyne Technologies Inc. as at December 31, 1996 and 1995 and the consolidated statements of operations and deficit and changes in financial position for the year ended December 31, 1996 and the fourteen months ended December 31, 1995. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1996 and 1995 and the results of its operations and the changes in its financial position for the year ended December 31, 1996 and for the fourteen months ended December 31, 1995 in accordance with generally accepted accounting principles.

KPMG
Chartered Accountants

Calgary, Canada
March 8, 1997

CONSOLIDATED BALANCE SHEET

December 31, 1996 and December 31, 1995

	1996	1995
Assets		
Current assets:		
Cash	$20,346	$59,150
Accounts receivable	107,432	29,444
	127,778	88,594
Capital assets (note 3)	1,419,926	1,009,013
	$1,547,704	$1,097,607
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$135,458	$39,950
Current portion of long-term debt (note 4)	-	96,000
	135,458	135,950
Long-term debt (note 4)	270,000	368,000
Provision for future abandonment costs (note 5)	19,844	6,250
Shareholders' equity:		
Capital stock (note 6)	1,198,246	668,246
Deficit	(75,844)	(80,839)
	1,122,402	587,407
Contingency (note 8)		
Subsequent event (note 9)		
	$1,547,704	$1,097,607

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF OPERATIONS & DEFICIT

Year ended December 31, 1996 and for the fourteen months ended December 31, 1995

	1996	1995
Revenue:		
Petroleum and natural gas sales	$705,727	$296,983
Less: royalties	(51,585)	(24,244)
A.R.T.C.	1,893	3,040
	656,035	275,779
Interest income	954	2,896
	656,989	278,675
Expenses:		
Operating	331,642	191,368
General and administrative	152,408	89,645
Depletion and depreciation	134,541	67,647
Interest on long-term debt	33,403	16,368
	651,994	365,028
Earnings (loss) from continuing operations	4,995	(86,353)
Net earnings from discontinued operations	-	5,514
Net earnings (loss) for the period	4,995	(80,839)
Deficit, beginning of period	(80,839)	(6,001,740)
Reduction of deficit (note 6)	-	6,001,740
Deficit, end of period	$(75,844)	$(80,839)
Earnings (loss) per share from continuing operations	$0.00	$0.00
Net earnings per share from discontinued operations	$0.00	$0.00
Net earnings (loss) per share	$0.00	$0.00

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1996 and for the fourteen months ended December 31, 1995

	1996	1995
Cash provided by (used in):		
Operations:		
Continuing operations:		
Earnings (loss) from continuing operations	$4,995	$(86,353)
Depletion and depreciation	134,541	67,647
Change in non-cash working capital	17,520	(28,816)
	157,056	(47,522)
Discontinued operations	-	5,514
Financing:		
Issue of shares for cash	530,000	512,016
Increase (decrease) in long-term debt	(194,000)	464,000
Issuance of shares for debentures and accrued interest and notes payable	-	2,021,754
Settlement of debentures and accrued interest	-	(1,861,754)
Issuance of shares on acquisition	-	165,000
Settlement of notes payable	-	(160,000)
Issue of shares for acquisition of capital assets	-	30,000
	336,000	1,171,016
Investments:		
Additions to capital assets	(531,860)	(1,070,410)
Increase (decrease) in cash	(38,804)	58,598
Cash, beginning of period	59,150	552
Cash, end of period	$20,346	$59,150

See accompanying notes to consolidated financial statements.

General:

Geodyne Technologies Inc. (the "Company") is a resource based company seeking minerals and oil and gas opportunities domestically and internationally. Currently the Company is an independent producer of oil and gas with reserves in Alberta and Saskatchewan.

Effective October 31, 1995, the Company changed its fiscal year end to December 31. These consolidated financial statements reflect the Company's activities for the twelve month period ended December 31, 1996 with comparative amounts for the fourteen month period ended December 31, 1995.

1. Significant accounting policies:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Multi-Biotech Inc. and Ligands, Inc. Effective January 1, 1997 the subsidiaries were amalgamated into the Company.

(b) Petroleum and natural gas operations:

The Company follows the full cost method of accounting for oil and natural gas activities whereby all costs, net of incentives, related to the acquisition of, the exploration for and development of oil and gas reserves are capitalized. Costs include lease acquisition, geological and geophysical expenditures, drilling expenditures, related plant and production equipment costs and overhead costs that relate to exploration and development activities. All other general and administrative and interest costs are expensed. Proceeds on disposal of properties sold are deducted from capitalized costs without recognition of profit or loss except for dispositions which would alter the depletion and depreciation rate by 20% or more.

All costs of exploring for and developing petroleum and natural gas reserves, together with the costs of production equipment, are depleted and depreciated on the unit of production method based on estimated gross proven reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content.

Costs of acquiring unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations. In applying the full cost method, the total capitalized costs less accumulated depletion, depreciation, deferred income taxes and provision for future site restoration costs are limited to an amount equal to the estimated future net revenue from proven reserves plus the cost (net of impairments) of unproven properties less estimated future site restoration costs, general and administrative expenses, financing costs and income taxes.

The amount recorded for depletion and depreciation of petroleum and natural gas properties and the provision for future site restoration costs are based on estimates. The ceiling test calculation is based on estimates of proven reserves, production rates, petroleum and natural gas prices, future costs and other applicable assumptions. By nature these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods may be significant.

1. Significant accounting policies (continued):

(c) Future site restoration and abandonment costs:

The estimated costs for future site restoration and abandonments, are provided for on a unit-of-production basis. The estimates are based upon regulations and industry standards in effect at year-end. The annual charge is included in depletion and depreciation expense and actual restoration costs are charged to the site restoration provision as incurred.

(d) Joint interest operations:

Substantially all the Company's exploration and production activities are conducted jointly with other entities and accordingly the accounts reflect only the Company's proportionate interest in such activities.

2. Acquisition:

Pursuant to an agreement dated September 1, 1995, the Company acquired all the shares of Trenstar Activities Inc., a privately held oil and gas company, for total consideration of $655,000, including acquisition costs of $15,000. This transaction has been accounted for by the purchase method with the results of operations included in these financial statements from the date of acquisition. The cost of the acquisition has been allocated entirely to capital assets.

The total consideration was comprised of $490,000 in cash and the issue of 2,500,000 of common shares with an ascribed value of $165,000 (note 6).

3. Capital assets:

	1996	1995
Petroleum and natural gas properties	$1,419,110	$950,248
Production equipment	178,795	118,932
Office furniture and equipment	4,365	1,230
	1,602,270	1,070,410
Accumulated depletion and depreciation	(182,344)	(61,397)
	$1,419,926	$1,009,013

4. Long-term debt:

	1996	1995
Non-revolving reducing demand loan	$270,000	$464,000
Less: current portion	-	96,000
	$270,000	$368,000

The non-revolving reducing demand loan bears interest at prime plus 1.5%, with interest payable monthly and principal repayable on demand. The credit limit of $630,000 is reduced by $15,000 per month commencing June 30, 1996. Security for this indebtedness is provided by a general assignment of accounts receivable, a first fixed and floating charge debenture over all assets, and a fixed charge on the main producing oil and gas properties.

On January 10, 1997 the credit limit on this loan was increased to $1,450,000 with the credit limit reducing by $40,000 per month commencing January 28, 1997. This loan now bears interest at prime plus 1.0%.

5. Future abandonment costs:

As at December 31, 1996, the future abandonment costs were estimated at $142,000 (1995 - $127,500). These costs will be amortized over the life of the remaining proven reserves.

6. Capital stock:

(a) Authorized:

Unlimited number of special shares without par value, issuable in series

Unlimited number of common shares without par value

(b) Issued capital:

No special shares have been issued. Changes in common shares issued are as follows:

	Shares	Amount
Balance, November 1, 1994	12,772,945	$3,941,216
Reduction of deficit (note 6(c))	–	(6,001,740)
Conversion of debentures and note payable	9,946,687	2,021,754
Issued for cash	2,555,000	255,500
Issued as consideration for petroleum and natural gas interests	300,000	30,000
Flow-through shares issued	2,805,000	280,500
Issued as partial consideration on acquisition of Trenstar (note 2)	2,500,000	165,000
Share issue costs	–	(23,984)
Balance, December 31, 1995	30,879,632	668,246
Exercise of stock options	300,000	30,000
Flow through share issue	3,333,334	500,000
Balance, December 31, 1996	34,512,966	$1,198,246

Of the shares issued pursuant to the flow-through arrangements, Company directors and officers subscribed for 454,000 shares during 1996 (1995 - 200,000).

(c) Reduction of stated capital:

On April 28, 1995, the Company's shareholders approved the reduction from capital stock of the deficit of the Company of $6,001,740 at October 31, 1994.

(d) Stock options:

As at December 31, 1996, the directors and officers held options to purchase 1,000,000 (1995 - 2,300,000) common shares of the Company at $0.10 per share, expiring in April, 2000 and options to purchase 600,000 common shares at $0.13 per share, expiring in April, 2001.

As at December 31, 1996, two shareholders of the Company held 250,000 options to purchase common shares of the Company at $0.10 per share, expiring in April, 2000. These options were granted for services rendered to the Company.

7. Income taxes:

The income tax expense differs from the amounts that would have resulted had the combined federal and provincial statutory tax rate of 44.6% had been applied to the earnings (loss) before taxes for the year as follows:

	1996	1995
Computed "expected" tax	$2,228	$(36,054)
Increase (decrease) in taxes resulting from:		
Non-deductible crown royalties	17,352	7,439
Alberta Royalty Tax Credit	(844)	(1,356)
Resource Allowance	(23,303)	(937)
Crown lease rentals	3,648	1,483
Losses, the benefit of which have not been recognized	919	29,425
	$ -	$ -

At December 31, 1996 the Company has available the following amounts which may be deducted in determining taxable income:

	Rate	1996	1995
Undepreciated capital cost	8 - 25%	$268,852	$250,796
Cumulative eligible capital	7%	571,676	571,690
Research and development expenditures	100%	2,128,315	2,139,339
Share issue costs and commissions	20%	13,588	26,390
Canadian oil and gas property expense	10%	82,143	74,743
Canadian development expense	30%	18,308	-
Foreign exploration and development expense	10%	13,679	15,199

In addition, the Company has accumulated non-refundable scientific research and development investment tax credits in the amount of $198,231 which are deductible from future income taxes payable. These investment tax credits expire in 2004.

8. Contingency:

Pursuant to a settlement agreement effective September 28, 1994,with respect to an interest free loan from the Federal Government under the Western Economic Diversification program in the amount of $205,395, the Company paid $8,125 and is obligated to repay $197,270 over a six year period as and when certain tax credits available to the Company are utilized over that period. This obligation has not been reflected in the accounts of the Company at December 31, 1996. This reduction of debt has been credited to earnings and any future payments made by the Company in this regard will be charged to earnings as an income tax expense.

9. Subsequent event:

On February 19, 1997, the Company entered into an agreement to participate in a mineral exploration program in Guyana, South America. The Company is obligated to spend $50,000 on the program and has an option to spend an additional $200,000. By spending the entire $250,000, the Company can earn a 50% interest in the project.

CORPORATE INFORMATION

BOARD OF DIRECTORS & OFFICERS	Arnold L. Ames Calgary, Alberta
	Charles W. Berard, Secretary Calgary, Alberta
	Jon G. Constable, President Calgary, Alberta
	Richard A. Gusella Calgary, Alberta
AUDITORS	KPMG Calgary, Alberta
BANKERS	National Bank of Canada Calgary, Alberta
SOLICITORS	Macleod Dixon Calgary, Alberta
REGISTRAR & TRANSFER AGENT	The R-M Trust Company Calgary, Alberta
STOCK EXCHANGE LISTING	The Alberta Stock Exchange Trading Symbol "GTI"
BUSINESS OFFICES	1005, 333 - 7th Avenue SW Calgary, Alberta T2P 2Z1 Telephone: (403) 269-2342 Fax: (403) 266-7047 E-mail: geodyne@agt.net
ANNUAL REPORT DESIGN	Strategic Design Ltd.

GEODYNE

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GEODYNE

INFORMATION RELEASE

Geodyne Technologies Inc. ASE - "GTI"
Contact: Jon Constable

For Release -March 24, 1997 at 2:30 p.m. MST

Eagle Mountain 1997 Gold Exploration Commences

Geodyne has finalized its participation agreement with I.M.P.A.C.T. Minerals Inc. of Vancouver. The agreement provides that Geodyne may earn a 50% interest in the Eagle Mountain, Guyana gold project by funding $Cdn250,000 of exploration expenses.

Following up the successful initial program conducted during 1996, the second phase of exploration has commenced with the mobilization of crews to the property. Plans call for deep soil auguring over the one kilometer long gold-in-soil anomaly identified during phase one exploration. Trenching of two gold occurrences also discovered in 1996 will be completed during April as will further prospecting of the property. The goal of this one month program is to establish targets for diamond drilling. The IMPACT/Geodyne interests lie approximately 45 kilometers southwest of the Omai gold mine, which produced 93,000 ounces of gold during the fourth quarter of 1996 and is operated by Cambior.

Guyana is favourably situated as an area which could yield significant minerals discoveries. The Guiana Shield, which is geologically similar to the Canadian Shield, extends through Brazil, Venezuela, Suriname and Guyana. It is reasonable to expect that mineralization in the Guiana Shield will be found to be similar to that found in the Canadian Shield.

Geodyne is an international resource company which currently produces approximately 150 barrels of oil per day in western Canada and is seeking mineral and hydrocarbon exploration and development opportunities globally.

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